

the IG SPECIAL FRAUD ALERT

August 2021



KEN BURKE, CPA

CLERK OF THE CIRCUIT COURT
AND COMPTROLLER

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The Pinellas County (County) purchasing card (P-Card) program is an important purchasing vehicle that eliminates the administrative burden required to approve and process small purchases.

Whether you want to learn more about the County's P-Card guidelines or simply refresh yourself, you will find some useful information below.

KEY ITEMS TO REMEMBER WHEN MAKING A PURCHASE:

- Determine if the transaction is an acceptable purchase and appropriate approvals have been received.
- Determine if the transaction is within the department's spending limits. A transaction includes the purchase price, plus freight and installation.
- Purchases should not exceed \$5,000, except as otherwise pre-approved.
- A contract is needed if total purchases from a single vendor exceed \$5,000 in a rolling calendar year.
- Ensure the purchase is within the cardholder's single-purchase limit. Splitting transactions to override the single limit is not allowed.
- Inform vendors the purchases are for official County purposes and are not subject to state or local sales tax; provide tax-exemption certificate.
- Confirm the order can be completed before year end; prepayment is not permitted.
- Provide the vendor detailed shipping instructions; include the building and room number for delivery, contact person, and phone/email.
- Request the department's name and delivery address appear on all packing lists and box labels, which will help ensure the shipment gets to the right person.
- Secure an itemized receipt or invoice to fully document the purchase.
- Verify all goods or services have been received or completed and that no sales tax is charged.

P-CARD SECURITY:

Each cardholder is responsible for the security of his or her P-Card. P-Card account numbers should be safeguarded and should not be left unsecured or easily accessible to others. Only the employee whose name is embossed on the P-Card may use it. Use by others is misuse and may result in loss of P-Card privileges or other appropriate disciplinary action.

P-CARD RECEIPTS:

Itemized receipts are required for all purchases. The receipt must include a description of the item(s) and the amount paid for the purchase. Receipts are uploaded with your monthly iExpense report and should be retained for a minimum

of six months.

Document types that can be used as receipts include:

- Itemized register receipt
- Priced and itemized invoice
- Email with detailed payment summary
- Screen print of online order summary

If you do not have a receipt, you must:

- Contact the vendor to request a receipt.
- If purchased online, print a receipt from your online vendor account, if possible.
- As a last resort, complete a 'Missing Receipt' form with proper approval. Repeated occurrences may result in disciplinary action.

OTHER CONSIDERATIONS:

FIXED ASSETS: Fixed Assets/Capital items (valued over \$1,000 and useful life of over one year) should not be purchased on the P-Card. Purchase Orders are the preferred method for procuring Fixed Asset items.

MEMBERSHIPS: Approval and confirmation that a vendor is permitted should be completed before purchase. A link to currently approved organizations is on the OPUS website under the reference documents:
<https://pinellasgov.sharepoint.com/sites/crossfunc/boards/OBAEC/OPUS/opussup/Clerk%20Finance%20Division/22/AP/Membership%20list.xls>

CHANGES TO CARDHOLDER INFORMATION: When an employee has a change to his/her name, job assignment, responsibilities, or transfers to another department, the cardholder must submit a Purchasing/Cardholder Change Request form.

BILLING/SHIPPING STATEMENT ADDRESSES: The billing address is listed on the P-Card holder's financial statement. If a change needs to be made to a P-Card holder's billing or mailing address, the P-Card Administrator can make that change. Shipping address should be completed by the P-Card holder for each transaction, if it needs to be different from their mailing address, the vendor needs to be notified.

BUDGET CODES: The use of appropriate department budget and account codes with iExpense entry is important. To accurately document P-Card transactions, select the related iExpense type and account code for each transaction.

PROHIBITION OF GIFTS WITH PURCHASE: You are not allowed to receive free gifts with purchases or accept promotional items from the vendor.

DECLINED TRANSACTIONS: A purchase may be declined for several reasons including:

- Total purchase exceeds your P-Card limit
- P-Card is inactive
- P-Card has expired
- Incorrect entry of P-Card data such as account number
- Incorrect mailing address
- Supplier is restricted

RECONCILIATION OF CHARGE RECEIPTS: Cardholders are responsible for reconciling their bank statements against their merchant receipts by the 15th of each month for the previous month's transactions. Any suspicious or abnormal

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card usage found during the reconciliation process should be reported immediately. Any discrepancies found should be resolved with the merchant. If a resolution cannot be reached with the merchant, the transaction should be disputed through the P-Card issuing financial institution by completing the formal dispute process.

LOST/STOLEN P-CARD OR FRAUD TO REPORT: Report lost cards to the issuing institution and notify your manager. In addition, report stolen cards to the Pinellas County Sheriff's Office (727) 582-6200.

WHY WE SHOULD FOLLOW THE RULES:

Remember that P-cards should only be used when it makes good business sense to do so. P-Cards work great for some things, but they are not a substitute for an organization's purchasing function or department. For example, if a purchase does not qualify as a small purchase or is otherwise ineligible as a P-Card purchase, you must follow the County's purchasing guidelines, such as by seeking a purchase order or contract, to ensure the County obtains the best value.

Unfortunately, there are several examples of P-Card abuse or misuse schemes that could occur if purchasing policies and procedures are circumvented. Some of these include the following:

- Shell company schemes, which occur when an employee submits invoices for payment from a fictitious company controlled by the employee.
- Pay-and-return schemes, which occur when an employee arranges for overpayment of a vendor invoice and pockets the overpayment amount when it is returned to the company.
- Personal purchase schemes, which occur when an employee submits an invoice for personal purchases to the company for payment, or when an employee uses a company credit card for personal purchases.
- Double dipping scheme, which involve employees using their P-Cards to pay for expenses and then submitting the same charge for reimbursement outside of the P-Card process.

The P-Card program is integral to County procurement and removes much administrative burden. However, knowing when to use and when not to use the P-Card is imperative to ensure County dollars are used in the most economical fashion possible.

Board of County Commissioners Employees: You can find the complete Purchasing Policy and Procedure Manual at (P-Card Program Guidelines are located in Section 15 beginning on page 68/112):
<http://intraweb.co.pinellas.fl.us/purchasing/purchasing%20manual.pdf>

Clerk of the Circuit Court and Comptroller Employees: You can find all P-Card related documents at (P-Card Documents option):
<https://pinellsgov.sharepoint.com/sites/clerk/cop/Pages/purchasing.aspx#tabGroup36>

Sources:

<https://www.acfe.com/article.aspx?id=4294971137>

<https://www.acfe.com/article.aspx?id=4294972073>

<https://www.sasrecovery.com/p-cards-and-fraud-how-to-minimize-your-exposure-and-losses/>